

Senate Committee  
on  
Budget and Fiscal Review

SUBCOMMITTEE 3  
Health, Human Services, Labor,  
and Veterans Affairs

MAJOR ACTION  
REPORT

May 30, 2007

Senate Bill 54  
2007-08 Budget Bill

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# SUBCOMMITTEE No. 3

## HEALTH, HUMAN SERVICES, LABOR, and VETERANS AFFAIRS

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# HEALTH

## **0530 Secretary of Health & Human Services**

- Adopted Budget Bill Language to require the CA Health and Human Services Agency and the CA Environmental Protection Agency to confer to develop a specific transition plan for the transfer of the responsibilities regarding the regulation of the use, handling, transport and disposal of ionizing radiation from the Department of Public Health to the Department of Toxic Substance Control or other applicable entity.

## **4120 Emergency Medical Services Authority**

- Approved as proposed with minor May Revision technical adjustments.

## **4260 Department of Health Care Services**

### ***Highlights for the Medi-Cal Program***

- Increased by \$214.3 million (\$107.1 million General Fund) the rates paid to health care plans participating in the Medi-Cal Managed Care Program as proposed in the May Revision. Also adopted trailer bill language to codify the new rate methodology and to transfer all responsibility for Medi-Cal Managed Care rate development to the Department of Health Care Services and eliminated the CA Medical Assistance Commission's involvement in the process.
- Restored the growth capitation level for freestanding nursing homes and subacute facilities to the full 5.5 percent level for both 2007-08 and 2008-09 for increased expenditures of \$32.6 million (\$16.3 million General Fund) over the budget. Also approved trailer bill language to extend the sunset for the rate methodology for one-year (June 30, 2009) and to defer the evaluation report for one year.
- Reduced by \$57.4 million (total funds), in lieu of the Administration's reduction of \$77.4 million (total funds), to reflect three changes proposed for pharmacy reimbursement under the Medi-Cal Program. These include: (1) changing the existing payment structure from Average Wholesale Price to an Average Manufacturer Price (AMP); (2) implementing a revised Federal Upper Payment Limit; and (3) recognizing an upcoming settlement agreement between the federal government and First Data Bank (the source of Medi-Cal's pricing structure). The Senate recognized a \$20 million (total funds) offset due to adoption of trailer bill language that

authorizes the Administration to proceed with implementation of the AMP and to recalculate the pharmacy dispensing fee to help offset the reduction in drug ingredient costs.

- Appropriated \$119.9 million (\$60 million General Fund) for rate increases to long-term care facilities *not* governed by the rate methodology contained in AB 1629, Statutes of 2004. Specifically, this rate adjustment applies to “Level A” Nursing Facilities, Intermediate Care Facilities for the Developmentally Disabled (ICF-DD), Distinct-Part Nursing Facilities, Subacute facilities and Rural Swing Beds. Each facility type receives a different percentage increase, based upon their peer grouping and cost reports.
- Redirected a total of \$775,000 (federal Title V Maternal and Child Health) to fund three positions and provide for contract services to proceed with implementation of recommendations regarding performance measures and quality assurance measures for aged, blind and disabled individuals enrolled in the Medi-Cal Managed Care Program. Adopted Budget Bill Language to have the department develop an action plan, using their May 7th draft report as a guide.
- Reflected the Administration’s May Revision to provide an increase of \$18.9 million (General Fund) for the Medi-Cal Minor Consent Program to exempt the program from the federal Deficit Reduction Act of 2005 requirements.
- Adopted the Administration’s May Revision to utilize a Medi-Cal presumptive eligibility approach to replace the existing Healthy Families to Medi-Cal Program Bridge since the federal Centers for Medicare and Medicaid (CMS) would not approve an extension of California’s waiver for the continuation of the existing Bridge.
- Approved the Administration’s May Revision to increase by \$25.2 million (\$12.6 million General Fund) for County Social Services Departments to implement the federal Deficit Reduction Act that requires evidence of citizenship and identity as a condition of Medicaid eligibility for certain individuals who are applying for or currently receiving Medi-Cal benefits.
- Adopted placeholder trailer bill language regarding enteral nutrition products and medical supplies to facilitate Medi-Cal contract negotiations and to ensure access to diverse products for enrollees in the Medi-Cal Program. This language assumes \$4 million (\$2 million General Fund) in savings as contained in the budget.
- Adopted trailer bill language to extend the sunset date for the Quality Improvement Fee on Medi-Cal Managed Care plans from January 1, 2009 to October 1, 2009 and reduced the fee from 6 percent to 5.5 percent as required by recent federal law changes.
- Adopted trailer bill language to require the DHS to undertake a review of the Medi-Cal Program’s manual, regulations and all-county letters in an effort to make them consistent and responsive to counties for purposes of Medi-Cal eligibility processing.
- Adopted trailer bill language to provide clarity regarding the state’s court-approved Conlan Plan and necessary reimbursement to eligible Medi-Cal recipients.

- Approved placeholder trailer bill language regarding the Medi-Cal Program's ability to recover medical expenses provided through the Medi-Cal Program to individuals who have been awarded third-party payment.
- Adopted placeholder trailer bill language to establish a two-county pilot project regarding a personalized Medi-Cal Managed Care provider directory.
- Increased by \$4.4 million (\$2.2 million General Fund) to reflect a rate increase, as directed by the Budget Act of 2006, for the Program for All-Inclusive Care for the Elderly (PACE).
- Provided \$200,000 (\$100,000 General Fund) to support two staff to process PACE applications to expand the program.
- Adopted trailer bill language to clarify the Adult Day Health Care moratorium.
- Provided full funding as contained in the Administration's May Revision to support enrollment changes as contained in Senate Bill 437 (Escutia), Statutes of 2006.
- Continued all funding as proposed by the Administration in the May Revision to continue several strategies to improve the enrollment of uninsured, eligible children into the Medi-Cal and Healthy Families Program. The following key adjustments are for the Medi-Cal Program:
  - ✓ A total of \$34.1 million (\$14.8 million General Fund) for the DHS to allocate to selected counties to partner with public and private community organizations for outreach, streamlined enrollment and related measures.
  - ✓ A total of \$81.7 million (\$40.8 million General Fund) to fund Medi-Cal caseload increases and county administrative processing for enrollment which are attributable to the simplified redetermination form implemented in 2006.
- Increased by \$2.5 million (General Fund) to fund certain services that have historically been part of the state's Family PACT Waiver Program which were recently denied federal funding approval by the Center on Medicare and Medi-Cal (CMS). Specifically, these services include mammography, Hepatitis B vaccines, five medical procedures related to complications of particular contraceptive methods, and diagnostic testing regarding cancer. These medically necessary services will now be fully General Fund supported.
- Provided a total of \$11.1 million (\$5.6 million General Fund) to fund the delivery of the Human Papillomavirus vaccine to applicable women enrolled in the Medi-Cal Program.
- Decreased by \$6.4 million (\$3.2 million General Fund) to account for changes enacted in Senate Bill 1755 (Chesbro), Statutes of 2006, regarding a tightening of the medical necessity criteria used for enrollment into an ADHC facility. This reduction assumes a January 1, 2008 implementation date.
- Augmented by \$2.7 million (\$1.4 million General Fund) for the DHCS to enter into one or more contracts to implement a coordinated care management demonstration project for medically involved Medi-Cal enrollees, including seniors and persons with disabilities who have chronic

conditions or who may be near the end of life. The Budget Act of 2006 provided funding for the DHCS to establish and commence with these projects.

- Increased by \$127.5 million (federal funds) to reflect the inclusion of freestanding outpatient clinics and state-operated Veteran's Homes to the current Medi-Cal outpatient supplemental program.
- Increased by \$1.1 million (\$561,000 General Fund) to support 11 positions to provide increased assistance in managing the ongoing administration of the Medi-Cal Hospital Financing Waiver.
- Increased by \$2.3 million (\$565,000 General Fund) to support 19 positions to continue various activities to implement federal HIPPA requirements.
- Augmented by \$571,000 (\$285,000 General Fund) to support 5 positions regarding the implementation of federal Deficit Reduction Act requirements affecting the Medi-Cal Program as requested by the Administration.
- Adopted the Administration's request to increase by \$195,000 (\$97,000 General Fund) to support two positions to conduct monitoring activities associated with county administration of Medi-Cal eligibility processing and county performance standards regarding this processing.
- Rejected the Administration's proposal to close the Fresno field office.

## **4260 DEPARTMENT OF HEALTH CARE SERVICES**

### ***Highlights for Children's Medical Services & Primary Care and Rural Health***

- Provided a total of \$234.7 million (\$96.4 million General Fund) for the California Children Services (CCS) Program as contained in the May Revision.
- Augmented by \$1.9 million (\$1.5 million General Fund) to expand the Newborn Hearing Screening Program to all infants in California by requiring all hospitals with licensed perinatal services to offer hearing screening services and by making available hearing screening services to newborns who are not delivered in hospitals.
- Increased by \$8.8 million (General Fund) to fund 16 positions to commence implementation of the California Discount Prescription Drug Program.
- Provided a total of \$49.5 million (total funds) for the Genetically Handicapped Persons Program (GHPP).
- Provided a total of \$2.8 million (\$2.7 million General Fund) for the Child Health Disability Prevention (CHDP) Program to provide vaccinations and health screenings for children not otherwise eligible for the Medi-Cal or Healthy Families programs.

- Adopted trailer bill language to not provide a \$20.2 million (General Fund) appropriation for the County Medical Services Program (CMSP) for 2007-08, as has been done the past several years since the CMSP has had funds available.

#### **4265 Department of Public Health**

- Reflected a series of adjustments to establish a new Department of Public Health (DPH) as required by Senate Bill 162 (Ortiz), Statutes of 2006. The core functions of the new DPH will include: (1) Emergency Preparedness; (2) Communicable Disease Control; (3) Chronic Disease and Injury Prevention; (4) Laboratory Sciences; (5) Family Health Programs; (6) Environmental and Occupational Health; (6) Drinking Water and Environmental Management; (7) Food, Drug and Radiation Safety; (8) Health Statistics; (9) Health Facility Licensure and Certification; (10) Office of Multicultural Health; and (11) Office of Binational Border Health.
- Adopted trailer bill language to require the Department of Finance to display more detailed fiscal information in the Governor's published budget regarding the programs within the new Department of Public Health.
- Adopted trailer bill language to require the new Department of Public Health to annually provide expenditure information for actual past year, estimated current year, and proposed budget year for specified programs.
- Fully funded the AIDS Drug Assistance Program as contained in the May Revision.
- Adopted trailer bill language to enable the AIDS Drug Assistance Program to more readily modify its formulary to keep abreast of new drug therapies.
- Utilized \$9.8 million (General Fund), obtained from savings within the AIDS Drug Assistance Program, to increase funding for several programs including \$4 million for the Therapeutic Monitoring Program, \$1.8 million for six eligible metropolitan areas, and \$1.5 million for the AIDS Regional Information and Evaluation System (ARIES).
- Utilized \$10.7 million (federal Ryan White CARE Act Part B funds), obtained from savings within the AIDS Drug Assistance Program, to increase funding to several HIV/AIDS programs providing case management and early intervention services as contained within the May Revision.
- Augmented by \$2 million (General Fund) to provide an accelerated HIV reporting effort in the 62 local health jurisdictions as directed by SB 699 (Soto), Statutes of 2006.
- Enacted a series of adjustments to reduce the Licensing and Certification (L&C) Fee increases proposed by the Administration and to be paid by various health care facilities. The adjustments included the following:
  - ✓ Directed that \$7 million (L&C Fund) from unspent current-year funds be used on a one-time only basis to offset L&C Fee increases in the budget year.

- ✓ Adopted a technical adjustment to reduce by \$400,000 (L&C Funds) on a one-time only basis the budget year appropriation to reflect natural salary savings that will occur as part of the phased-in hiring process.
  - ✓ Increased by \$2.6 million (General Fund) to reduce the L&C Fees of certain health care facilities.
  - ✓ Increased by \$364,000 (General Fund) to pay the L&C Fees for District Hospitals with less than 100 beds.
  - ✓ Adopted trailer bill language regarding the use of General Fund support.
  - ✓ Recalculated the L&C Fees by individual clinic facility types, versus the bundled approach the Administration had used.
  - ✓ Adopted trailer bill language to capture certain revenues obtained by the L&C Division to fund expenditures of the program but are not recognized (i.e., offset) in the L&C Fee amounts.
  - ✓ Adopted Budget Bill Language to have the Office of State Audits and Evaluations review, document, and, where appropriate, evaluate the various aspects of the methodologies used by the L&C Division in the development of the calculation of fees for payment.
- Increased by \$2.5 million (L&C Fund) to support 16 positions to implement Senate Bill 1312 (Alquist), Statutes of 2006, which requires surveys and inspections for compliance with state standards to the extent that state standards exceed federal law, and provide greater protection to residents of long-term care facilities.
  - Increased by \$7.2 million (L&C Fund) to support 43 positions to implement Senate Bill 1301 (Alquist), Statutes of 2006, related to the reporting of and follow-up on adverse events in hospitals (27 specific types of events). This increase also includes \$569,000 to modify the L&C website in order to display the outcome of inspections, investigations, compliance histories and related items in health care facilities.
  - Increased by \$1.8 million (\$1.4 million General Fund and \$400,000 L&C Fund) to support 12 positions and various contracts to implement Senate Bill 739 (Speier), Statutes of 2006, which requires the establishment of a Healthcare Associated Infection Program.
  - Appropriated \$47.3 million (Proposition 84 Bond Funds) for several components of the Safe Drinking Water and Water Quality Project Act as follows: (1) \$9.1 million for emergency grants; (2) \$27.2 million for small community water drinking systems; and (3) \$9.1 million for prevention and mitigation of ground water contamination. Also, adopted Budget Bill Language regarding the need to address perchlorate and other contaminants in the San Gabriel Valley and San Bernardino aquifers.
  - Approved a total of \$3.5 million (General Fund) to expedite the planning process by providing expert scientific staff and equipment that will develop the comprehensive Biomonitoring Program as contained in Senate Bill 1379 (Perata), Statutes of 2006.



- Adopted trailer bill language to extend the sunset regarding the use of federal bioterrorism funds at the state and local level for three years, and added language for all cost compliance reports and audit exceptions to be provided to the Legislature upon request.
- Increased by \$700,000 (General Fund) five new positions to investigate foodborne illnesses and outbreaks, and enhance the state's capability to test food and environmental samples for investigation purposes. This action deleted the \$500,000 in research funding identified for University of California, Davis, and deleted four positions as requested by the Administration.
- Augmented by \$389,000 (General Fund) to support three positions to implement SB 611 (Speier), Statutes of 2006, regarding the inspection of meat processing.
- Approved an increase of \$326,000 (Cannery Inspection Fund) to support three positions to inspect low acid canned food canneries to ensure that these products are produced without botulism toxin contamination.
- Provided total funding of \$118.3 million (Genetic Disease Testing Fund) to fund the Genetic Disease Testing Program.
- Augmented by \$885,000 (Drug and Device Safety Fund) to support eight Senior Food and Drug Investigator positions to perform licensing inspections for new drug and medical device manufacturers, home medical device facilities, and home medical device retailer exemptees.
- Redirected \$426,000 (federal funds) from operating expenses to fund five new positions within the WIC Program to expand the breastfeeding peer counseling program from a pilot project to all 82 WIC agencies statewide.
- Continued \$3.5 million (General Fund) for the treatment of Prostate Cancer (through the Improving Access, Counseling and Treatment for Californians with Prostate Cancer—IMPACT) pursuant to Chapter 442 (Ortiz), Statutes of 2005.
- Established five positions within existing resources to conduct compliance checks of tobacco retailers to reduce illegal tobacco product sales to minors in the City of Los Angeles. Federal law requires that California must decrease the ability for minors to purchase tobacco products and maintain a statewide sales rate to minors of less than 20 percent in order to maintain the receipt of federal Substance Abuse and Prevention Treatment Block Grant funds.

**4270 California Medical Assistance Commission (CMAC)**

- Approved their budget as proposed.
- Adopted trailer bill language to remove CMAC from involvement in the Medi-Cal Managed Care Program administered by the Department of Health Care Services.

**4280 Managed Risk Medical Insurance Board**

- Appropriated \$1.114 billion (\$400.4 million General Fund) for the Healthy Families Program.
- Approved, as contained in the May Revision, all funding adjustments for the Certified Application Assistance (CAA) Program to provide reimbursement to application assistors for each person successfully enrolled in the HFP or Medi-Cal, and for each annual eligibility re-determination enrollment.
- Approved all adjustments as proposed in the May Revision for the Healthy Families Program to implement Senate Bill 437 (Escutia), Statutes of 2006. These adjustments include: (1) \$426,000 (\$149,000 General Fund) to fund four positions to implement a self-certification process, a presumptive eligibility process, and a gateway from the Women, Infant, and Children's Supplemental Food (WIC) Program to the HFP; (2) funding for caseload adjustments associated with the various gateways; and (3) \$600,000 (\$210,000 General Fund) for systems changes required of the Administrative Vendor to implement the new electronic processes.
- Adopted proposed trailer bill language to implement a presumptive eligibility process for children moving from the Healthy Families Program to the Medi-Cal Managed Care Program in lieu of the existing Bridge program since the federal CMS will not renew our existing Bridge Program.
- Continued funding for the Rural Demonstration Projects as contained in the budget.

**4300 Department of Developmental Services**

- Appropriated \$3.6 billion (\$2.2 billion General Fund), for an increase of \$300 million (total funds) over the revised 2006-07 budget, as contained in the May Revision. A total of 219,230 consumers are estimated for 2007-08, an increase of 8,050 consumers over the revised current-year. This action includes adoption of all cost containment provisions, including the Administration's trailer bill language.
- Rejected the Governor's proposed use of \$128.8 million in Public Transportation Account support to fund certain transportation services provided through the Regional Centers, and instead, appropriated General Fund moneys for this purpose.

- Approved the May Revision to increase federal funds through an amendment to California's Medi-Cal Program to include payment for Day Programs and non-medical transportation services for Regional Center consumers residing in Intermediate Care Facilities for the Developmentally Disabled (ICF-DD facilities). A savings of \$36.6 million General Fund is assumed for this action. Also adopted Budget Bill Language to ensure that the integrity of the Individual Program Plan (IPP) is maintained when this is implemented.
- Adopted all May Revision adjustments for both the Regional Center *and* Developmental Center systems that affect the planned closure of Agnews Developmental Center by June 2008. This consists of an overall net increase of \$24.5 million as compared to the revised 2006-07 budget, and is consistent with the department's May, 2007 updated Agnews Closure Plan.
- Directed the Department of Developmental Services (DDS) to purchase two mobile clinics, using existing Wellness Funds, to be specifically outfitted to provide a range of health and medical services as determined by the DDS in working with constituency groups. Adopted Budget Bill Language to enable the DDS to purchase the mobile clinics using a competitive process but is to be exempted from public contract code due to the need to ensure the protection of public health and welfare.
- Adopted placeholder trailer bill language to codify the Medi-Cal Program's verbal commitment regarding Medi-Cal reimbursement to the local health plans for Medi-Cal services provided for people transitioned from Agnews Developmental Center to the community.
- Increased by \$503,000 (\$126,000 General Fund) to support four new positions at the three Bay Area Regional Centers to provide assistance with health care planning for residents transitioning from Agnews Developmental Center.
- Adopted trailer bill language to ensure the continuity of consumer's health care and accountability within the Administration, as well as at the community level between the Regional Centers and the health plans.
- Adopted trailer bill language for the DDS to continue operation of the Agnews Outpatient Clinic until DDS no longer has possession of the property.
- Enacted revised Budget Bill Language for the DDS to provide additional information regarding the Agnews Developmental Center closure to the Legislature.
- Appropriated a total of \$720.3 million (\$391.5 million General Fund) to serve 2,610 people who reside in the Developmental Centers. This action includes all funding adjustments as proposed by the Administration at the May Revision for employee salary increases related to *Coleman* and *Perez*, as well as other employee compensation adjustments.
- Increased by \$1.1 million (General Fund) to fund 5 new positions and equipment expenditures to begin activation of a 96-bed intensive behavioral treatment residence at Porterville as of January 1, 2008.

- Provided \$2 million (General Fund) on a one-time only basis for water diversion structures at Sonoma Developmental Center.

#### **4440 Department of Mental Health**

- Restored \$54.9 million (General Fund) for the Integrated Services for the Homeless Mentally Ill Program by rejecting the Governor's proposed elimination of the program.
- Appropriated a total of \$254 million (General Fund) for the Early, Periodic Screening, Diagnosis and Treatment (EPSDT) Program to fund the current year and budget year, and to provide \$86.7 million for past year claims. This action assumes that the past year claims of \$260.2 million (General Fund) will be paid over a three-year period beginning in 2007-08.
- Augmented the Mental Health Managed Care Program by \$12 million (General Fund) to restore a five percent rate reduction to reflect the sunset of the rate reduction as contained in Assembly Bill 1762, Statutes of 2003.
- Increased by \$5 million (General Fund-Proposition 98) to expand the Early Mental Health Initiative to more classrooms.
- Provided \$52 million (General Fund) for mental health services provided to children enrolled in special education as directed by AB 3632, Statutes of 1984, and as required by the federal Individuals with Disabilities Education Act (IDEA).
- Augmented by \$929,000 (General Fund) for the Forensic Conditional Release Program (CONREP) to support at least 30 additional patients for 2007-08.
- Adopted the May Revision adjustments for the Sexually Violent Predator evaluations and court testimony to reflect revised data which shows less of an increase in these costs than originally projected by the Administration in the January budget.
- Appropriated a total of \$1.117 billion (\$1.039 billion General Fund) to operate the five State Hospitals which serve a total population of 6,095 patients, including patients located at Vacaville and Salinas Valley. About 92 percent of the patients are admitted under a penal code-related commitment.
- Adopted all May Revision salary adjustments for State Hospital employees as they pertain to *Coleman* and *Perez*.
- Increased by \$696,000 (General Fund) for the DMH to support an 18-bed unit at Salinas Valley Psychiatric Program for incompetent to stand trial patients who are too dangerous to reside within the State Hospital setting.
- Augmented by \$4.3 million (General Fund) as contained in the May Revision to fund a pilot treatment option through contracts with providers for treatment of services for those incompetent to stand trial individuals (IST) not currently residing in the State Hospitals thereby

reducing the State Hospital through natural attrition and creating additional bed capacity for other forensically committed individuals.

- Approved an augmentation of \$1.7 million (General Fund) and 30 positions to implement the second phase of the expansion of the Patton State Hospital police department to address issues regarding safety and security associated with the penal code population.

## HUMAN SERVICES

### **4140 Office of Statewide Health Planning and Development**

- Approved \$2.4 million from the Hospital Building Fund and one position to procure a replacement automation system for the Office of Statewide Health Planning and Development's Logbook Database System. This system is used by OSHPD's Facilities Development Division to track health facility construction projects through plan review and construction.
- Approved \$1.4 million from the Hospital Building Fund (\$1.2 million one-time) and three positions to implement Chapter 679, Statutes of 2006 (SB 1661), which provided general acute care hospitals that meet specified criteria the opportunity to obtain an additional two-year extension of the deadline by which they have to comply with statutory structural and nonstructural seismic safety requirements.
- Approved \$688,000 from the California Health Planning and Data Fund (\$459,000 one-time) to develop an on-line system to implement Chapter 775, Statutes of 2006 (AB 774). AB 774 requires OSHPD to collect from each hospital a copy of its charity care policy, discount payment policy, eligibility procedures, review process, and application form for financial assistance and make that information available to the public.

### **4170 California Department of Aging**

- Provided \$250,000 General Fund for the Senior Legal Hotline to ensure that it can continue to provide legal services to California seniors.
- Approved \$93,000 in Mental Health Services Act (MHSA) funds and one position for the California Department of Aging (CDA) to coordinate and monitor efforts to improve access to mental health services for older persons and adults with disabilities.
- Approved \$293,000 General Fund for CDA to contract with the California Department of Social Services and the 33 Area Agencies on Aging to process criminal record clearances and conduct fingerprinting locally for Long-Term Care Ombudsmen staff and volunteers as mandated by Chapter 902, Statutes of 2006 (SB 1759).
- Approved \$194,000 (\$94,000 General Fund) and one position for CDA to provide legal analysis and consultation on complex issues arising in implementation of Adult Day Health Care (ADHC) program reforms.

**4180 Commission on Aging**

- Approved as budgeted.

**4185 California Senior Legislature**

- Approved as budgeted.

**4200 Department of Alcohol and Drug Programs**

- Restored \$60 million General Fund to Proposition 36 (the Substance Abuse and Crime Prevention Act of 2000, or SACPA), bringing the total funding for SACPA back to the current year amount of \$120 million General Fund.
- Reduced funding for the Substance Abuse Offender Treatment Program (OTP) by \$20 million from the Governor's Budget. The 2007-08 total is now \$40 million compared to \$25 million in 2006-07. Approved statutory changes to the OTP to modify the drug court requirement, remove the county allocation cap, and eliminate the sunset date to enable more counties to participate in the OTP.
- Approved \$1.2 million and 12.5 positions (4.5 limited-term) to conduct biennial compliance visits of licensed and/or certified programs, and federally required monitoring reviews and complaint investigations of Drug Medi-Cal providers. Authorized the collection of fees from all providers to fund these activities subject to the development of a permanent fee schedule developed in conjunction with stakeholders and approved by the Legislature.
- Approved \$519,000 General Fund and six positions (two limited-term) to license and certify additional drug treatment providers as a result of enactment of Chapter 875, Statutes of 2006 (SB 1453), which requires non-violent prison inmates who participated in drug treatment in prison to enter a 150-day residential aftercare drug treatment program upon their release from prison.

**4700 Department of Community Services and Development**

- Increased funding for the Naturalization Services Program by \$2 million General Fund, to provide total funding of \$5 million General Fund for this program.

**5160 Department of Rehabilitation**

- Authorized \$3.3 million in federal fund authority for the Department of Rehabilitation (DOR) to continue to implement the California HIV/Auto-Immune Disorder Demonstration Project. The funding is from a federal Social Services Administration (SSA) grant available to states to study

various interventions to assist Supplemental Security Income Program beneficiaries in returning to work. The SSA awarded DOR \$12 million over five years for implementation of this project.

- Approved \$203,000 in Mental Health Services Act (MHSA) funds and two limited term positions for DOR to assist in the implementation of provisions of the MHSA that relate to assisting persons with severe psychiatric disabilities to obtain employment and independent living skills.
- Authorized \$466,000 of increased federal fund authority to begin the initial development and procurement process for a new Electronic Records System to replace the existing field computer system.

### **5170 State Independent Living Council**

- Approved as budgeted.

### **5175 Department of Child Support Services**

- Eliminated funding for the federal penalty for child support automation. The final \$215 million General Fund payment of the federal child support automation penalty was made in the current year. The State had been required to pay an increasing penalty each year since 1997 due to the State's failure to implement a single statewide child support automation system.
- Approved the following budget adjustments to reflect implementation of the federal Deficit Reduction Act (DRA):
  - \$67.6 million (\$23 million General Fund) to backfill for lost federal financial participation (FFP) resulting from the elimination of states' ability to use federal performance incentive funds as a match for FFP (which avoids a funding reduction for local child support agencies).
  - \$1.8 million General Fund to cover the \$25 annual application fee required by the DRA for families who have at least \$500 in annual collections and have never received Temporary Assistance for Needy Families.
  - \$27.8 million in reduced collection revenues to reflect the increased payments to custodial parents of the first \$50 of the current month's child support payment collected from the non-custodial parent.
- Reduced funding for the California Child Support Automation System (CCSAS) project by \$107.2 million (\$11.2 million General Fund) to reflect cost changes identified in various approved special project reports and budget Control Section 11.0 notification letters to the Legislature.



- Reappropriated \$39.8 million in unspent 2004-05 funds to accelerate payments to the CCSAS vendor for services related to federal certification of the system and to pay costs associated with a project delay.

## **5180 Department of Social Services**

### ***CalWORKs and Food Programs***

- Rejected the Administration's proposals to impose full-family sanctions, restrict safety-net grants, and eliminate grants for children of CalWORKs-ineligible parents.
- Adopted trailer bill language to require the Department of Social Services to review the county plans for promising practices in the areas of upfront engagement and re-engagement of sanctioned families, gather information on implementation and results of these proposals, and disseminate that information; and require DSS, in conjunction with the California Welfare Directors Association, to review the county plans and work with the counties to determine what activities and strategies counties are using to encourage participation among time-limited families, gather information about the characteristics of the time-limited population, and report that information.
- Adopted trailer bill language to delay implementation of the Temporary Assistance Program from the current date of October 1, 2007 to April 1, 2009.
- Adopted trailer bill language to implement semi-annual reporting that would reject the Administration's trailer bill language and adopt replacement placeholder trailer bill language that will: 1) require counties to redetermine eligibility for recipients of CalWORKs and food stamp benefits on a semiannual basis; 2) establish an income reporting threshold where families must report within the six month period if their income increases by \$1,100 or increases above the CalWORKs or Food Stamp eligibility thresholds; and 3) prohibit the recoupment of projected Cal-WORKs administrative savings as long as county human services departments do not have sufficient funding to cover the cost of doing business and require settle-up of actual CalWORKs administrative savings with any projected CalWORKs administrative savings.
- Approved \$17.2 million (\$3.7 million General Fund) to fund one-time automation costs necessary to implement a semi-annual reporting (SAR) system for the CalWORKs, federal Food Stamp, and CFAP programs in 2008-09. Added budget bill language that would prohibit these funds from being expended unless all of the following conditions are met: (1) the Legislature enacts a program of semi-annual reporting for the CalWORKs, Food Stamps, and CFAP; (2) related automation project documents, as required by the state administrative manual, are approved by the Department of Finance; and (3) the Department of Finance notifies the Legislature of its approval.

- Approved \$6.5 million (\$1.1 million General Fund) to reflect an increase in CalWORKs and California Food Assistance Program (CFAP) benefits related to last winter's freezing conditions.
- Approved \$4.4 million General Fund to fund local food banks and Foodlink, a private organization that stores and delivers food during emergencies, to provide relief to Californians from the effects of last winter's freeze. Added budget bill language that would permit any unused funds to be used for other emergency purposes.
- Approved an increase of \$36.5 million federal funds for CalWORKs Stage 1 child care provider costs resulting from the revised regional market rate ceilings implemented in 2006-07.

#### ***Supplemental Security Income/State Supplementary Program (SSI/SSP)***

- Provided \$147.3 million General Fund to fully fund the 2008 State Supplementary Program (SSP) Cost-of-Living Adjustment (COLA) of 3.7 percent and \$73 million federal fund to fully fund the 2008 Supplemental Security Income (SSI) COLA of 1.97 percent.

#### ***In-Home Supportive Services (IHSS) Program***

- Rejected the Administration's proposal to limit the state's participation in the cost of IHSS provider wages and benefits to those in effect as of January 10, 2007. The projected growth in statewide revenues in 2007-08 will result in the state's participation in IHSS wages and benefits increasing from \$11.10 per hour to \$12.10 per hour, resulting in a cost of approximately \$14.1 million General Fund.
- Approved \$149.2 million (\$48.5 million General Fund) to reflect a lower level of Quality Assurance (QA) savings due to a revised estimate based on actual implementation data. Adopted budget bill language to require DSS to report at budget hearings on the impact of the IHSS QA regulations. Adopted Supplemental Report Language to require DSS to report to the Legislature quarterly on IHSS utilization data by county, task, and client level.

#### ***Children and Family Services Programs***

- Adopted trailer bill language that would enact, over five years, beginning in 2008-09, the optimal staffing standards reflected in the SB 2030 study as updated to reflect changes in practice. The human services trailer bill to the 2006 Budget Act, AB 1808 (Chapter 75, Statutes of 2006), directed DSS to work with the County Welfare Directors Association, legislative staff, and members of organizations that represent social workers to develop a methodology for budgeting the CWS program to meet specified program requirements and outcomes. This new funding methodology was to be presented to the Legislature on February 1, 2006, but was not released by the Administration until May 11, 2007. In the end, the report did not contain a

proposal for any methodology, so the Legislature acted to implement the SB 2030 standards, which are widely believed to be the appropriate standards.

- Provided \$22 million General Fund to provide a five percent rate increase to all types of foster care providers (foster family homes, foster family agencies, and group homes) to address cost increases associated with caregiver recruitment and retention, minimum wage changes, payroll tax increases, higher benefit costs, and specialized care requirements.
- Provided a \$19.7 million General Fund augmentation to the Transitional Housing Program (THP)-Plus to fully fund the 44 counties with approved THP-Plus plans, pursuant to the 2006-07 budget negotiations. Although the Administration is pursuing legislation to appropriate an additional \$10.5 million in 2006-07 to fund the current year cost of the approved plan, the May Revision did not include funding to maintain the current year augmentation and fund a full year of implementation costs.
- Provided a \$10 million General Fund to the Adult Protective Services Program.
- Approved \$93.7 million (\$71.2 million General Fund) in increased costs to reflect the transfer of additional cases to the Enhanced Kin-GAP Program. Provided \$750,000 General Fund and adopted trailer bill language to fund the state clothing allowance for the Enhanced Kin-GAP Program and to include three counties previously excluded from the clothing allowance.
- Augmented the Private Adoption Agency Reimbursement Program (PAARP) by \$2.0 million GF to increase the PAARP reimbursement rate paid to private adoption agencies for expenditures associated with the adoption of special needs children.
- Approved \$1.7 million (\$641,000 General Fund) and 15 positions to ensure that the state's CWS system is prepared to meet new federal Child and Family Services Review (CFSR) requirements. These staff would provide state leadership and oversight, monitoring compliance, data quality and integrity improvements, and technical assistance to counties for the federal CFSRs. The next CFSR is scheduled for spring or summer of 2008.
- Approved \$180,000 (\$90,000 General Fund) and 1.5 limited-term positions for DSS to support implementation of the Title IV-E Child Welfare Waiver Capped Allocation Project (CAP). Added budget bill language to require DSS to collaborate with stakeholders on the Title IV-E waiver evaluation timeline, components, and execution.
- Adopted the Administration's proposal to clarify the rate structure for children who are regional center consumers and in receipt of either Aid to Families with Dependent Children-Foster Care (AFDC-FC) or Adoption Assistance Payments (AAP) benefits (also called "dual agency" children). Added trailer bill language to strengthen the grandfather provisions of the proposal and to require DSS and the Department of Developmental Services to collect information on the number of adoptions and regional center services provided to ensure that the proposal is not negatively impacting adoptions of or services to dual agency children.

***Community Care Licensing***

- Approved \$2.5 million (\$2.4 million General Fund) and 34.5 positions to increase facility inspections from 20 percent to 30 percent of facilities each year and to increase follow-up visits to remedy enforcement deficiencies in DSS.
- Approved \$1.7 million (\$1.5 million General Fund) and ten positions for DSS to begin a project to upgrade its information technology systems supporting the licensing program. Set aside \$1.7 million General Fund of DSS' existing budget for updating the Community Care Licensing (CCL) public website pages to display information about adverse administrative actions pending against a provider's license.

## LABOR

### **0559     LABOR AND WORKFORCE DEVELOPMENT AGENCY**

- Augmented the Agency's budget by \$196,000, special fund, to reflect the higher revenue received by the Agency to carry out the purposes of AB 276 (Chapter 329, Statutes of 2003) and SB 1809 (Chapter 221, Statutes of 2004). Both of these bills direct specified revenue to employer and employee labor-law education.

### **7100     EMPLOYMENT DEVELOPMENT DEPARTMENT**

- Approved Finance Letter adjustments to state operations and benefit payments, to reflect the May 2007 forecast of claims for the Unemployment Insurance Program, the Disability Insurance Program, and the School Employees Fund Program.
- Rejected proposed reduction of \$27.1 million and 271 positions to the Job Services Program. The Administration had proposed this cut to Employment Development Department Contingency Fund expenditures so the funds could instead be transferred to the General Fund. Added Provision Language requiring a report on services provided to CalWORKs recipients and parolees at One-Stop Career Centers.
- Rejected "Tax Sharing Ratio" proposal to shift the various funds used to support tax collection administrative costs. The rejection of this proposal saves \$13.5 million GF.
- Approved Finance Letter request to adjust the budget for reduced federal funds for the Workforce Investment Program. This included approval of \$2.8 million, federal funds, to create a new "At Risk/Youthful Offenders Gang Prevention" program.
- Approved funding of \$59.2 million for the Employment Training Panel.

**7350 DEPARTMENT OF INDUSTRIAL RELATIONS**

- Approved budget request to permanently extend 31 limited-term positions, using special funds, in the Division of Workers' Compensation.
- Approved budget request to add 3 positions to the Division of Apprenticeship Standards, but added an additional 2 positions so the department has sufficient staff to meet statutory audit requirements. The new positions are supported by special funds.
- Augmented the budget for Apprenticeship Grants from \$1.2 million to \$3.0 million, special funds, in the Division of Apprenticeship Standards.
- Deleted funding for the Industrial Welfare Commission.
- Approved a special fund loan, not to exceed \$13 million, from the Workers' Compensation Administration Revolving Fund to the Targeted Inspection and Consultation Fund. Added budget bill language requiring a report on how the Administration proposes to fix the deficit in the Targeted Inspection and Consultation Fund.

Trailer Bill Language

1. Approved language to allow the department to charge fees to all entities for which the department inspects elevators, rides, and tramway conveyances, including the establishment of fees for local governments.

## VETERANS AFFAIRS

### 8955 DEPARTMENT OF VETERANS AFFAIRS

- Approved \$5.1 million (GF), \$1.1 million (Federal Trust Fund), and \$580,000 (reimbursement authority) for pay increases to the following classifications essential to the care of veterans' home residents: psychiatrists, psychologists, social workers, therapists, dentists, dental hygienists, dental assistants, certified nurse's assistants, licensed vocational nurses, supervising registered nurses, physical and occupational therapists, speech pathologists, and respiratory care staff. The pay increases will provide greater parity between these positions and their counterparts in the Department of Corrections and Rehabilitation and the private sector, and better enable the department to recruit and retain medical and health care personnel.
- Approved a Finance Letter to provide \$325,000 and five positions to the Veterans' Home of California-Yountville to support implementation of "restraint free" care practices. Additionally, adopted budget bill language requiring the department to report on progress in implementing "restraint free" care at all veterans' homes.
- Amended the Governor's proposal to provide \$6.5 million (GF) and one two-year limited term position to upgrade the department's key information technology (IT) hardware and software infrastructure, and instead deferred \$860,000 in technology expenditures until 2008-09.
- Approved \$10.3 million (GF) and 22 positions to procure and implement a new Veterans Home Information System (VHIS) intended to conform to federal regulations on data reliability and transferability, resolve contract issues with the current information system provider, Meditech, and will address the IT needs of as-yet unbuilt homes.
- Approved the Governor's request for 19 new positions and \$2.3 million (\$2.1 million GF) to reopen in 20 of 40 beds at the skilled nursing facility at the California Veterans' Home—Barstow (CVH-B) in 2007-08. The 20 remaining beds will open in 2008-09 budget year and ongoing costs to operate the 40 bed facility will be \$4.5 million (including \$2.9 million General Fund) and 54 positions. Additionally, adopted supplemental report language requiring the department to identify lessons learned from the previous closing of the beds and policies instituted to avoid future problems.
- Accepted a Finance Letter reducing the Governor's proposed \$3.2 million (GF) increase for ongoing maintenance and equipment replacement and \$1.5 million (GF) baseline increase for operating expenses and equipment. The Finance Letter corrected errors in the original requests. The net effect of the Committee's actions was to approve: (1) \$2 million (GF) for ongoing maintenance and equipment replacement at the homes and headquarters; and (2) a \$825,000

(GF) baseline increase for operating expense and equipment increases associated with increased costs of pharmaceuticals, outside medical services, central supply items, supplemental medical insurance, natural gas, and petroleum purchases.

- Approved \$1.9 million one-time GF and 8.0 one-year, limited-term positions to address deferred maintenance required to maintain health and safety at the veterans' homes.
- Approved \$2.8 million (GF) and 25 positions to reflect the realignment over time of positions originally assigned to the Farm and Home Program (a non-GF supported program) to GF-supported programs.
- Approved the Governor's proposal to reduce Federal Fund and General Fund reimbursements by \$2 million, increase GF by \$940,000, and eliminate eight positions to reflect an unsuccessful effort to convert the Chula Vista Residential Care for the Elderly Facility to an Intermediate Care Facility (ICF). The Department sought and received approval to upgrade their care facility; however, during the conversion process it realized that the project was not financially or physically feasible due to fire and building code regulations, the need for revised architectural drawings, and unforeseen project costs.
- Approved budget bill language directing the department in 2007-08 to: (1) undertake the steps necessary to consolidate the separate budget items of the headquarters and veterans' homes into one item; (2) provide quarterly progress reports on its consolidation efforts; and (3) provide a transition plan for final implementation of the consolidation.
- Amended the Governor's proposal for Greater Los Angeles/Ventura County (GLAVC) Veterans Home start-up costs and approved 5.5 positions and \$621,000 (GF) for the construction and pre-activation phases of the GLAVC veterans' homes. The positions will oversee construction and business operations and ensure the veterans' homes are compliant with federal, state, and local laws and regulations.
- Approved \$180,000 (GF) and converted two expiring limited-term positions to permanent positions for veterans' claims representation at district offices aimed at increasing applications for benefits and reach out to underserved populations.
- Approved a Finance Letter proposal to appropriate \$110,000 from the Veterans Quality of Life Fund (a depository for voluntary tax check-offs). The funds may be used for discretionary purposes as determined by the veterans' home residents.